

REPORT TO THE CITY COUNCIL

BY THE CITY INTERNAL AUDITOR

SPECIAL REPORT

**MAYOR'S OFFICE
REVIEW OF SSP CONSULTING, INC.
CONTRACT PERFORMANCE**

SR650098-05

OCTOBER 15, 1998



October 15, 1998

Councilman James Green
Chairman, Shreveport City Council
P. O. Box 31109
Shreveport, LA 71130-1109

Dear Councilman Green:

Subject: SR650098-05 - Special Report - Mayor's Office - Review of SSP Consulting, Inc.,
Contract Performance

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

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**SPECIAL REPORT
MAYOR'S OFFICE
REVIEW OF SSP CONSULTING, INC., CONTRACT PERFORMANCE
INTERNAL AUDIT REPORT SR650098-05**

OBJECTIVE

We have completed a special review of controls exercised by the Administration to monitor the performance of SSP Consulting, Inc., in providing the City Surety Support Program services via a contractual agreement ending in March, 1998. Our work resulted from a request received from a member of the City Council. Our objectives were to determine if contractual terms were met and whether expenditures incurred as a result of the program were justified.

SCOPE AND METHODOLOGY

Fieldwork was performed in accordance with applicable generally accepted governmental auditing standards, as defined in Section A.40 of the Internal Audit Office Operating Instructions Manual. The scope of our review was limited to evaluating the general controls surrounding the specific issues addressed. We examined applicable documents to determine accuracy and propriety of data thereon and held discussions with operating personnel, as necessary, consistent with our audit objectives. Our scope was externally impaired in the following areas:

- ? We were denied access to some sources of information, i.e., records and billings related to the performance of the contract.
- ? We were denied the opportunity to meet and interview contractor employees.

BACKGROUND

The Administration entered into a contractual agreement in September, 1996, with SSP Consulting, Inc., a Dallas, Texas-based entity specializing in providing Surety Support Program services. The contract was intended to provide local minority-owned businesses required guidance in securing local contracts. Such services included training on how to successfully meet the requirements of the State Licensing Board for Contractors and how to qualify for bonding agreements. The contract was in effect from September, 1996, through March, 1998, at a total cost of \$338,382. The contractor provided the Administration with monthly activity reports, indicating its goals and accomplishments throughout the life of the contract.

Our special review was initiated because of concerns expressed to the aforementioned Council member that contractual terms may not have been met by the provider.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Administration failed to take appropriate actions to monitor the contractor's performance and challenge the integrity of data contained in monthly activity reports. Available documents did not adequately support that all goals and objectives required by contractual terms were met by the contractor. Client files did not adequately support specific efforts made by the contractor to assist them. We were unable to examine records held by the contractor which may have supported activities such as subcontractor and employee expenses.

1. Failure to Monitor Contractor's Performance

Criteria: As part of current contractual agreements, the Administration assigns the responsibility for monitoring a contractor's performance to a specific office or individual. When the procedure is followed correctly, this control provides assurance that work performed is consistent with specific goals and objectives.

Condition: We found no documentation indicating that anyone in the Administration had actively monitored the contents of information contained in monthly activity reports submitted by the contractor throughout the contract period.

- ? Monthly activity reports provided by the contractor cited various scheduled training sessions or other meetings with qualifying clients. These reports also cited numerous clients who were being assisted in their business endeavors. However, it appeared that no one examined the validity of information presented.
- ? When we attempted to contact 21 "clients" to verify that they had been assisted, only two of seven respondents indicated that they had received contractor assistance.
- ? While monthly activity reports repeatedly cited times when they were assisted, five respondents indicated that they had received no assistance from the contractor.
- ? One activity report indicated that certain arrangements had been made with a local insurance brokerage firm regarding the feasibility of providing surety services to minority business clients. However, we were told by the insurance broker that a formal meeting never took place and the company had opted to not support any of the telephone-proposed actions.

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- ? A representative of a minority firm identified in another activity report as a “client” acknowledged briefly attending a single workshop session out of curiosity. That person left there with the opinion that the contractor would be unable to provide any valuable assistance and did not attend any further meetings.

Effect:

- ? Inability to evaluate contractor performance.
- ? Potential for adverse publicity.
- ? Possible misspending of public funds.

Cause: The primary cause for the noted deficiencies may be attributed to a misinterpretation as to specific monitoring requirements.

Recommendation: The Administration should take appropriate action to ensure that future contracts are monitored so as to ensure compliance with stated terms. Such efforts should include verifying the integrity of information received.

Management’s Plan of Action/Timetable: The report states that no indication could be found that anyone in the Administration had actively monitored the contents of information contained in the monthly activity reports. It is our understanding that no one was asked to indicate what had been done. A representative from the Purchasing Division visited SSP’s office on numerous occasions to check on information in the activity reports and to share ideas. Two training workshops were attended by a Purchasing staff member. The workshops were three and one-half hours each and were held at Expo Hall. There were approximately eighteen clients present at each workshop. In addition, Purchasing staff attended a graduation ceremony at Southern University-Shreveport wherein clients received certificates for completion of training in preparation of a Louisiana contractor’s license.

In future contracts, we will ensure that we document the monitoring which takes place.

2. Contractor Failure to Meet Contractual Goals and Objectives

Criteria: Contractual terms required compliance with certain actions to ensure achievement of specific goals and objectives. Typically, compliance with such requirements are properly documented on client files or other records.

Condition:

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- ? We were unable to locate all contractor records which supported that specific goals and objectives were met as stated in general terms in periodic activity reports.

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- ? For example, the contractor's final report indicated success in helping clients obtain \$5.3 million in city contracts and securing \$1.6 million in bonds. However, we could not substantiate how those figures were attained and the contractor declined to honor our request to review adequate supporting documents.
- ? Proof that adequate program information had been provided the interested small businesses was not clearly shown on client files.
- ? Information shown on these latter documents was usually limited to annotations showing how the "client" had been referred to the contractor and their stated initial interests.

Effect:

- ? Non-compliance with stated contractual requirements.
- ? Possibility of inappropriate payments for services not received.
- ? Failure of the program's goals and objectives.

Cause: Inadequately documented contractor activities.

Recommendation: Administration officials should ensure that contractual terms are adhered to and that appropriate steps are taken to deny payment on invoices where services are not rendered as specified.

Management's Plan of Action/Timetable: While the contractor's files may not be documented to the auditor's satisfaction, Purchasing staff was aware of contractors who were awarded contracts and clients who obtained subcontractor jobs as a result of the program. There were no apparent reasons to deny payments. The program appeared to be successful.

3. Inadequately Supported Client Records

Criteria: Since the contract required development of a program suitable for assisting small disadvantaged businesses, it would be reasonable to expect that related client files would contain specific requirements, strengths and weaknesses, potential, etc., about the client being helped. Along with this, one would also expect to see goals and accomplishments, progress entries, etc.

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Condition: Files developed by the contractor did not adequately support specific actions taken to assist clients with their particular problems or obstacles.

- ? Review of "client" files in the Administration Office did not always adequately support how the firms seeking assistance were helped.
- ? In our opinion, individual client files should have included information regarding specific strengths and weaknesses, as well as possible or contemplated corrective or suggested actions.
- ? Approximately 49 (91%) of the 54 files showed no indication as to how, or if, the client had been assisted, nor the reason. In contrast, many of the contractor's monthly activity reports listed repeatedly clients requesting unspecified assistance.
- ? Thirty-six (67%) files simply consisted of a client profile sheet and/or a consulting agreement form.
- ? Clear indications of SSP's attempts to secure required bonding for clients were not always evident.

Effect:

- ? Questionable integrity of records supporting the program's success.
- ? Inaccurate accountability for funds expended.
- ? Non-compliance with contractual requirements.

Cause: Inadequate documentation requirements or standards.

Recommendation: Administration officials should take appropriate action to verify the reliability and integrity of information received from contractors. Whenever deemed appropriate, responsible personnel should exercise the right to review and audit contractor records as stated in the contract.

Management's Plan of Action/Timetable: Purchasing staff spot checked files against the reports on a periodic basis. During those times, there appeared to be progress toward meeting goals and objectives. Clients were not called to check on the validity of information.

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The integrity of the files was assumed to be reliable.

4. Contractor Refusal to Allow Review of Contract Performance Records

Criteria: Section 12 of the Consultant Contract, dated September 16, 1996, states that the City is granted the right to audit all of Consultant's records and billings relating to the performance of the contract.

Condition: When we attempted to review specific records supporting summary information provided to the Mayor, the contractor refused our request and referred us to their legal counsel. Specifically, we sought to examine the propriety of financial records associated with sub-contract work and employees. We also requested from the contractor that we be allowed to review documentation supporting specific goals and accomplishments cited in the periodic reports to the Mayor.

Effect:

- ? Non-compliance with contractual terms.
- ? The Administration's inability to ascertain the program's failure or success.

Cause: Contractor unwillingness to abide by the terms of the contract.

Recommendation: In the future, the Administration should monitor and take appropriate action to secure adequate supporting documentation for information contained in periodic reports.

Management's Plan of Action/Timetable: In the future, we will document monitoring activities and ensure that supporting documentation is in an auditable manner.

Prepared by:

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Approved by:

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

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BL:jm

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c: Mayor
CAO
City Council
Clerk of Council
City Attorney
Director of Finance
External Auditor